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NIC 5542-82

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

23 November 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Chairman, National Intelligence Council

FROM : [REDACTED]
National Intelligence Officer for East Asia

SUBJECT : November Visit to Taiwan

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1. My four days in Taiwan left me with two overriding impressions.

2. Tangible signs of economic advances are everywhere evident. Although CIA has presented statistical evidence of these advances over the years, to see it at first hand has greater impact. The dirty, smelly cities that I remember from the early 1960s have disappeared entirely. Taipei today is a booming industrial and government center with a per capita income that is probably higher than Mississippi's. The shops are full, the cars are new, and the people are well dressed. The Kaohsiung that I remember from the early 1960s has disappeared completely, replaced by a heavy industry center that has the unplanned look of a prosperous Japanese city.

3. Taiwan is already established as a successor to Japan as workshop for low cost, low quality manufactures. What is particularly impressive are the plans they now have for bootstrapping themselves out of that industrial phase into a phase emphasizing medium to high technology and knowledge-intensive industries. The technocrats have thought this process through and will undoubtedly achieve their goals.

4. My second impression is less optimistic. The political outlook of the old guard KMT generals [REDACTED] is backward, [REDACTED]
[REDACTED] Although they no longer anticipate recovering the mainland, they do not appear to have thought much about the future of Taiwan. A young KMT theoretician, not a member of the old guard, put it this way: the old guard KMT generals should have recognized after Nixon's first trip to China that the US one day would recognize Beijing, and their objective should have been to cut the best deal possible with Washington. Instead they frittered away seven years trying to stop the US from recognizing Beijing and in the end could not cut an attractive deal for

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Taiwan. Now these same generals have set disruption of Sino-US relations as an objective, rather than accepting the inevitable and striving to improve unofficial relations with Washington. Jim Lilley put it another way: the old guard generals are obsessed with the form of their relationship with Washington at the expense of its substance.



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